

WEDNESDAY, JANUARY 20, 1988 -- FORTY-SEVENTH LEGISLATIVE DAY

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IN JOINT CONVENTION

GOVERNOR'S BUDGET ADDRESS

The hour having arrived, set by House Joint Resolution No. 419, the Senate met with the House in Joint Convention.

The Joint Convention was called to order by Mr. Speaker Wilder, President of the Joint Convention.

On motion of Senator Moore, the roll call of the Senate was dispensed with.

On motion of Representative Naifeh, the roll call of the House was dispensed with.

Thereupon, the Clerk of the Senate read House Joint Resolution No. 419 authorizing the Joint Convention.

Representative Naifeh moved that the President appoint a Committee composed of six (6) members from the Senate and six (6) members from the House to notify the Governor that the Joint Convention is in session and awaiting his arrival; which motion prevailed.

Mr. President Wilder appointed the following committee: Senators Burks, Crutchfield, Davis, Dunavant, Koella and Moore; and Representatives Bewley, Bragg, Copeland, Crain, Rhinehart and Ridgeway. Representative Bragg will serve as Chairman of this Committee.

Without objection, the Joint Convention will be in recess pending the Arrival of the Governor.

The Joint Convention was called to order by Mr. President Wilder.

Without objection, the roll calls of the Senate and House were dispensed with.

Representative Bragg announced the Governor of the State of Tennessee at the entrance to the House.

President Wilder asked the Committee to Escort the Governor to please come forward.

President Wilder introduced the Honorable Ned McWherter, Governor of the State of Tennessee.

1988 BUDGET MESSAGE

By Governor Ned McWherter

Governor Wilder, Speaker Murray, Members of the General Assembly, Members of the Judiciary, Constitutional Officers, Fellow Tennesseans.

I realize that it is a bit unusual for a Governor to deliver his budget message on the 4th legislative day of a new session. During the years I served in the General Assembly, I believed that the legislature's work was made more difficult by the need to wait several weeks for the Governor's proposed budget.

For that reason, I directed my staff to have the budget and my legislative package ready when the General Assembly convened so we can all get down to work.

Last year I stood here and asked for your help to restore fiscal discipline to our state budget. You gave me the help I needed and I am pleased to report that 12 months later our fiscal house is in order.

Because of the responsible action you took last year, we avoided a deficit and ended the 1987 fiscal year with a surplus of \$21.5 million. If revenues hold, we expect to close the present fiscal year with a surplus of \$47 million. These surplusses, combined with anticipated revenue growth, should provide us with sufficient funds to pay for our priorities during the coming year.

Last year when I asked the legislature for help, I promised to do my part by becoming personally involved in the management of state programs. My approach was based upon what I called the 3 R's. Put simply, I told each agency of state government to review, reorganize and reduce.

Before I ask you to appropriate a single dollar, the members of the General Assembly and the people of Tennessee deserve a report on the administration's efforts to reduce the size and cost of government.

On the day I was inaugurated, there were 38,281 filled positions in the executive branch of state government. It was my belief that state government had become top-heavy with administrative positions. As of January 1, the number of filled full-time positions had been reduced by approximately 1,200. The proposed budget would reduce another 900 vacant positions.

Cutting back is never easy. But I believe we are now able to tell the people of Tennessee that we have made a major step toward getting the costs of state government under control. While we must strive to hold costs down, it is important to note that good management involves more than the size of government. I campaigned on the promise to bring a new generation of leadership to state government. I have tried to seek out men and women who are not afraid to try new ideas and new approaches.

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During my first year in office, we developed a plan that will allow state employees to receive part of their benefits in the form of day care. We have asked the principal of the state's largest restaurant chain for recommendations to help us reduce the food costs in our state parks. We are cutting administrative costs in higher education and in the career ladder program. We have developed a computer program that will enable the state to pay its bills in a more timely manner. We are using prototype designs to build our prisons faster and cheaper. These are only a few of the new management concepts we are undertaking to make government more efficient.

Part of my responsibility as Governor is to provide a vision for Tennessee's future. Last week I shared with this Body my goals and priorities for the remainder of the century.

But the Governor also has an obligation to the people of Tennessee to manage state government as efficiently and responsibly as possible. Building a budget is seldom glamorous. It requires hours of work and provides little reward.

Like other areas of management, I have my own style. I see no benefit to the public in keeping the budget a big secret or having a press conference to announce it. I prefer to work openly with the members of the House and Senate. Virtually every member of this Body has been to the residence to discuss details of the budget. My name may be on the document, but this is not just the Governor's budget. It is our budget.

The budget contains an appropriation of \$7.2 billion. It is based upon conservative revenue estimates of about 5 percent. The budget contains \$130 million for capital projects. If adopted, the budget would provide an increase of \$28 million to cities and counties, and would increase our rainy day fund to \$100 million -- the highest level in history.

I do not have any slogan or name for the budget. It is simply a conservative document that is balanced, that keeps our debt low, and lays the foundation for economic growth in Tennessee.

During the budget meetings I had with the legislators, I discussed the priorities that I would like to propose for your consideration. These priorities are the same as those I talked about throughout the campaign: education, health care, housing, roads, the environment and jobs.

In education, my top budget priority will be \$83 million for a salary increase of \$1,575 for every teacher in the minimum foundation program. This will be the first step toward the goal of a minimum starting salary of \$18,500 for every teacher in Tennessee. I am totally committed to providing our children with enough qualified teachers in the years to come. I am convinced we can accomplish this goal without an undue burden on local government. To ensure this, my legislative package will include a bill designed to exempt local governments from the 7.5 match now required for teacher salary increases.

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In higher education, we must maintain the momentum that is making Tennessee a national center of research. For the second year in a row, I am recommending that we fully fund the academic formula for higher education. In fact, this would be the highest level of funding for higher education in Tennessee history.

The budget also includes \$8 million for 16 new chairs of excellence, increased funding for our centers of excellence, \$10 million to update our research equipment and additional funding for our academic scholars program.

In health care, I am recommending the next step toward the administration's goal of providing reasonable and affordable health care for every Tennessean. The proposed improvement of \$14.6 million would expand our indigent health care program to include pregnant mothers and children through age five. In addition, it would create pilot primary health care programs in the inner cities and in our depressed rural areas.

In housing, I am prepared to endorse the recommendations developed by the Governor's Housing Task Force. The recommendations are a product of legislators and members of the housing industry. If adopted by the General Assembly, they would bring about a fundamental change in the mission of the Tennessee Housing Development Agency.

I support these recommendations because I believe our housing program should be geared to the \$35,000 home as well as those that cost \$65,000. I believe it should finance the purchase of new houses as well as the transfer of existing houses. And I believe it should focus on helping young families making less than \$20,000. If we are prepared to make the commitment, we can provide decent and affordable housing in both urban and rural communities in Tennessee.

As we begin new initiatives in housing, we will continue at full speed with the largest road construction program in Tennessee's history. We will continue work on the next segment of I-181 in Upper East Tennessee. We will pour concrete on the new Karns Bridge in Knoxville. We will near completion of portions of Corridor J to link Chattanooga with the Kentucky state line. We will complete the final portion of the Hendersonville By-pass and continue improvements in and around Nashville. We will begin work on the Dyersburg-Jackson Corridor. And we will move ahead on our projects in Shelby County including, at long last, a Welcome Center for Memphis.

I think it is appropriate for me to restate my position on Tennessee's road program. I have stated on numerous occasions my belief that the economic future of many small communities in Tennessee depends upon linking them with the interstate network. At least one writer has accused me of wanting to build "roads to nowhere." They may be nowhere to him, but they are part of Tennessee to me.

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As long as I am Governor, my commitment will be to a road program that offers the opportunity of economic growth for every area of Tennessee.

As we concentrate on building roads and bringing new jobs, it is important that we not forget our commitment to protecting our quality of life in Tennessee.

Last week I met with the Governor of North Carolina to find a way to clean up the Pigeon River in East Tennessee. The budget contains \$325,000 to study the causes and solution for the pollution in our lakes and rivers. In addition to these efforts, my legislative package will contain a new initiative to reduce the generation of hazardous waste in Tennessee. I will ask the legislature to approve \$300,000 for this program to help industries find ways of reducing their generation of toxic waste. If we succeed, our children will have cleaner water and safer communities.

As always, our efforts to improve the quality of life in Tennessee depend entirely on our ability to continue attracting more and better jobs. Last year we attracted more jobs than any year in our history. In order to implement our 95-county jobs plan, I am asking the legislature to appropriate an additional \$50 million for economic development.

Tennessee is on the move. The nation and the world have become aware of our commitment to better education and better roads. The \$50 million I am requesting would help ensure that we have in place what it takes to bring every job we can to Tennessee. We cannot, we must not, let future job opportunities slip through our fingers.

There are other improvements contained in the budget in addition to the priorities I have discussed.

I am proposing \$5 million for our Community Mental Retardation Program. I am recommending additional funds to improve payments and provide more spaces in our Foster Care Program. And for our elderly citizens, I will keep my promise to recommend tax relief. My legislative package will contain a proposal to increase the tax exemption for low-income elderly homeowners.

Having noted these items, I would like to emphasize my recommendations for Tennessee's state employees.

My approach this year will be different. I propose that we prepare a benefit package that recognizes unique needs among categories of state employees, including across-the-board raises.

It is unacceptable to me for state employees to be on food stamps. Therefore, I am recommending that this year the legislature consider giving larger raises to middle management employees and those at the lower salary levels. Under this plan, employees making less than \$11,000 would receive double-digit salary increases.

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I am recommending that we increase longevity payments to \$100 and extend payments through 20 years of service. I will propose funds to relieve compression problems. I am recommending \$12.3 million to ensure the integrity of our Health Insurance Plan. And finally, I am recommending as part of my legislative package a "Cafeteria Benefits" Plan that will allow state employees to choose which benefits -- including day care -- make up their personal salary package.

Before closing, I would like to address two items.

As you know, this is the first budget that I helped develop from beginning to end. I prepared this budget based on business principles.

Contained in this year's budget is a very important change in the way state government will keep its books. Those of you on the finance committees know that for years, the state has had an accounting system that was part accrual and part cash. The most important recommendation I have this year to modernize state government is a change to a total accrual-based system of accounting. This change is strongly encouraged by national accounting standards.

My staff has discussed this idea at length with the Comptroller and with the officers of the respective finance committees in the House and Senate. I want each member of this Body to understand that the decision was made in a conservative manner and that I will be available to discuss it personally with any member who has a question.

I will close by replying to a comment last week that I had "coasted" during the past year.

In the last twelve months, Tennessee has recruited more jobs than in any twelve month period in history.

We started from scratch and have ready for bid \$136 million in prison construction, including two new maximum security prisons.

We implemented the state's first comprehensive Drug and Alcohol Program.

We established literacy programs in 70 counties.

We implemented a successful Nursing Home Reform Program.

We moved full speed on our Road Program.

We developed a Housing Plan and a 95-county Jobs Plan.

And we have done all these things while reducing our debt, keeping a balanced budget and restoring fiscal discipline to state government.

I appreciate the support you gave me last year to pursue these and other goals for our state. With your continued support, I am convinced that next year will be even better for Tennessee.

Thank you.